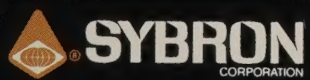


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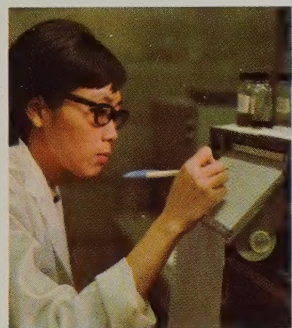
1968 Annual Report

Operating
Highlights

Financial
Highlights

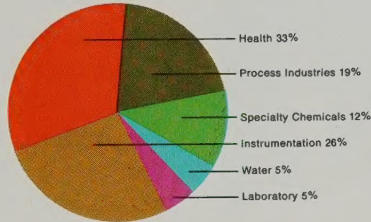
Shipments were up slightly in 1968; sales in health, laboratory and specialty chemical markets largely offset slowdown in demand for process equipment. Tax surcharge reduced earnings.

Research and product development expenditures were more than \$8 million in 1968.



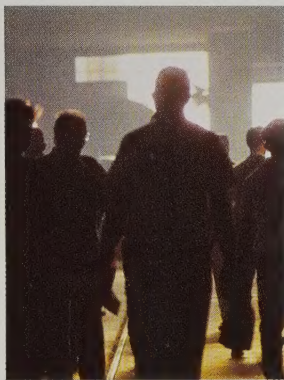
\$12 million was invested to improve facilities and equipment in continuation of capital expansion program.

Our 1968 sales by markets: health 33%; instrumentation 26%; process industries 19%; specialty chemicals 12%; laboratory 5%; water and waste treatment 5%.



Merger of Taylor Instrument Companies provides an international base in instrumentation for health, process industries and water and waste treatment markets.

Sybron now has manufacturing plants in 15 countries. Total worldwide employment exceeds 15,000, with 6,300 employees overseas.



Acquisition of The Tanatex Chemical Corporation broadens our line of consumable products with chemicals for synthetic textile market.

Corporation outgrows its name. A coined name is picked to help project the multi-division makeup of the corporation and its involvement in multi-national markets.

Operations:

	1968	1967
Net sales	\$264,570,000	\$263,124,000
Income before taxes	30,657,000	31,660,000
Federal, state and foreign taxes on income	15,080,000	15,222,000
Income applicable to Taylor Instrument Companies shares purchased by the Company and accounted for as a purchase	819,000	962,000
Net income	14,758,000	15,476,000
Depreciation charged to income	4,746,000	4,466,000

Financial position—at December 31:

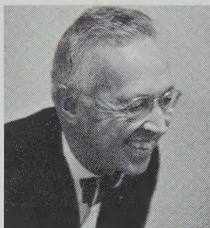
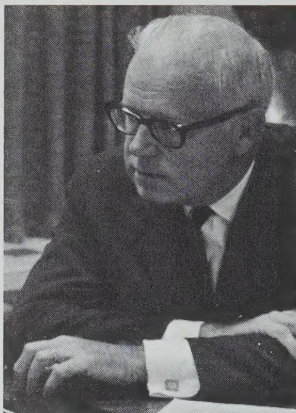
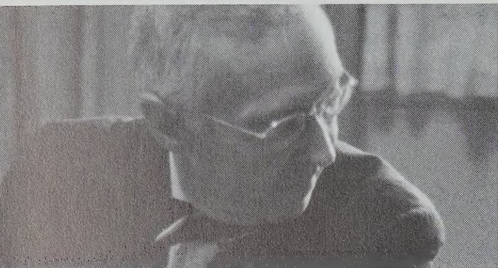
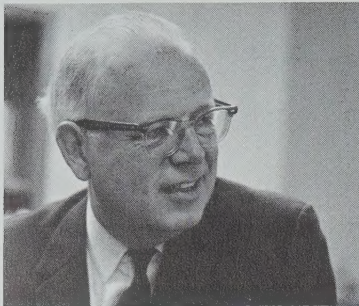
Current assets	\$146,784,000	\$144,005,000
Current liabilities	72,717,000	43,187,000
Working capital	74,067,000	100,818,000
Long-term debt	27,690,000	29,265,000
Properties—net	51,550,000	45,696,000
Accumulated depreciation on properties	46,725,000	43,764,000
Shareholders' equity	123,584,000	111,632,000

Per share of common stock:

Net income	\$ 1.35	\$ 1.44
Dividends paid on common stock	.60	.55
Book value	10.63	9.57
Number of shareholders	18,400	17,600

Number of shares outstanding—at December 31:

Preferred	1,180,764	1,118,988
Common	9,182,700	9,087,689



F. Ritter Shumway
chairman
and chief executive

Donald A. Gaudion
president

To Our Shareholders:

In 1968, our total world-wide consolidated sales showed a modest increase over the prior year. Incoming orders reached record levels, and backlog at year end was higher than it has ever been. We regret that we cannot also report record earnings for the year. Nevertheless, our earnings performance gives us cause for confidence, because it reflects basic strengths built into the corporation over the past few years.

What do we mean by strengths? When Ritter and Pfaudler Permutit merged in 1965, we were very vulnerable to swings within our markets. To eliminate this weakness we set out to restructure our product-market base so that the effect of a downturn in any single market on our over-all performance would be minimized. We worked toward that goal in a number of ways. Through merger and acquisition we added many companies serving markets that do not have the sharp buying cycles experienced in our process equipment field. Equally important, we accelerated activities in new product development and we expanded facilities serving non-cyclical markets.

Sales to Health, Laboratory, Chemical Markets Were Up in 1968

The success of these efforts is evident in our 1968 results. A number of our divisions serving the health, laboratory and specialty chemicals markets reported outstanding results in 1968. The total figures tend to obscure the performances of these divisions because of the cyclical decline in capital spending for process equipment.

However, our ability to generate earnings at the 1968 level despite the cyclical decline and the heavy cost of internal investments in long-term growth programs indicates to us the basic strengths now built into Sybron. We have now completely restructured our market base. The process industries market, on which we had been exceptionally dependent a few years ago, accounted for 19% of our sales in 1968. Sales in the health market were 33% of our total; instrumentation, 26%; water and waste treatment, 5%; laboratory, 5%; specialty chemicals, 12%.

The instrumentation market is a new one for our corporation, added through the merger of Taylor Instrument Companies in October 1968. The Taylor merger and how the Taylor product line strengthens our positions in a number of markets are covered in detail later in this report.

Sales Up Slightly; Earnings Down 4.6%

Consolidated world-wide shipments were \$264,570,000 for 1968, compared to \$263,124,000 in 1967. Net earnings of \$14,758,000 in 1968 were 4.6% below 1967 earnings of \$15,476,000, after providing for the federal income tax surcharge in 1968. On a per share basis, earnings were \$1.35 in 1968 and \$1.44 in 1967.

The 1968 per share earnings figure is after provision for the federal tax surcharge of approximately 11 cents. Work stoppages at two small divisions further reduced 1968 earnings by approximately four cents per share. In 1967, devaluation of the British pound sterling reduced earnings by approximately six cents per share.

Incoming orders in 1968 were \$267,980,000, compared to \$251,363,000 in 1967. Backlog at year end 1968 was \$62,208,000, compared to \$61,320,000 on December 31, 1967.

Overseas Operations Contributed 22% of Sales

Operating results of our overseas units were generally favorable despite adverse economic conditions in Great Britain and France. Market activity paralleled that in the United States, with sales of dental and medical equipment and supplies strong in most areas. A breakdown of 1968 orders by geographic marketing areas shows: North America—78%; Latin America—2%; Europe—18%; Asia—2%.

Tanatex Acquisition Broadens Consumable Products Base

Our consumable product base was considerably broadened in 1968 by the addition of The Tanatex Chemical Corporation to our Chemicals Group. Tanatex is a global company serving the growing synthetic fiber market. Its chemical products are used in the dyeing of synthetic fibers, primarily polyesters and acrylics, which find their way into permanent press slacks, shirts, knit goods, carpeting and many other items.

Taylor Merger Provides Sybron with Instrumentation Capability

Events of major importance during 1968 were the merger of Taylor Instrument Companies and the changing of our name to Sybron Corporation. Both are discussed in detail on pages 4-5. One important reason for the merger of Taylor was that the company serves a growth market—instrumentation. But more than that, it

brings to Sybron a technical and management nucleus around which we can jointly build instrument capabilities in the other markets we serve. For example, we expect instrumentation to play an increasingly vital role in our growth within the health, water and process industries markets.

The addition of Taylor has changed the product-market profile of the corporation. Our new profile is covered in some detail in the center section of this report. In reviewing this, it is important to keep in mind how we serve a select group of specialty markets which have built-in factors of long-term growth. Our world-wide markets are tied directly to the demands of people for the necessities of life as well as for improved living standards.

Company Plays Major Role in Health Market

In the center section we show how many of our markets are interrelated. For example, we have described the professional health market as consisting of dentists, physicians and hospitals. The close relationship of these elements of the market is obvious; what is not so obvious is that many of the products sold to what we classify the laboratory, water and instrumentation markets are used in the health field. In fact, if we add together all of the products we make which ultimately end up in a dentist's or physician's office or a hospital, we find that Sybron sells more than \$100 million to the health field.

Budgets for New Plants and New Products Continued at High Level

Capital expenditures in 1968 were up 30% over the previous year; research and development budgets were more than \$8 million.

There were a number of tangible results of both programs. Our new facilities in Boston, Detroit, and Princeton are discussed on pages 8-9 of this report. New products are covered on pages 6-7.

What Is the Outlook?

In reporting to you a year ago we pointed to the many uncertainties that made it difficult to forecast 1968 with any accuracy. The economy continues to be affected by many of the same problems. Inflation still is with us. The money market remains difficult to predict. A redirection of government funds into domestic programs awaits an uncertain end to the Viet Nam conflict.



John H. Castle, Jr.

We pay tribute to the memory of John H. Castle, Jr., executive vice president and a member of the Board of Directors, who died October 4, 1968. Mr. Castle started his long and successful business career in 1940 with the Castle Company. He served as president of Castle from 1959 to 1964. When the company became a division of Ritter Corporation in 1959, he also assumed the executive vice presidency of Ritter. He was elected executive vice president of Ritter Pfaudler Corporation when it was formed in 1965.

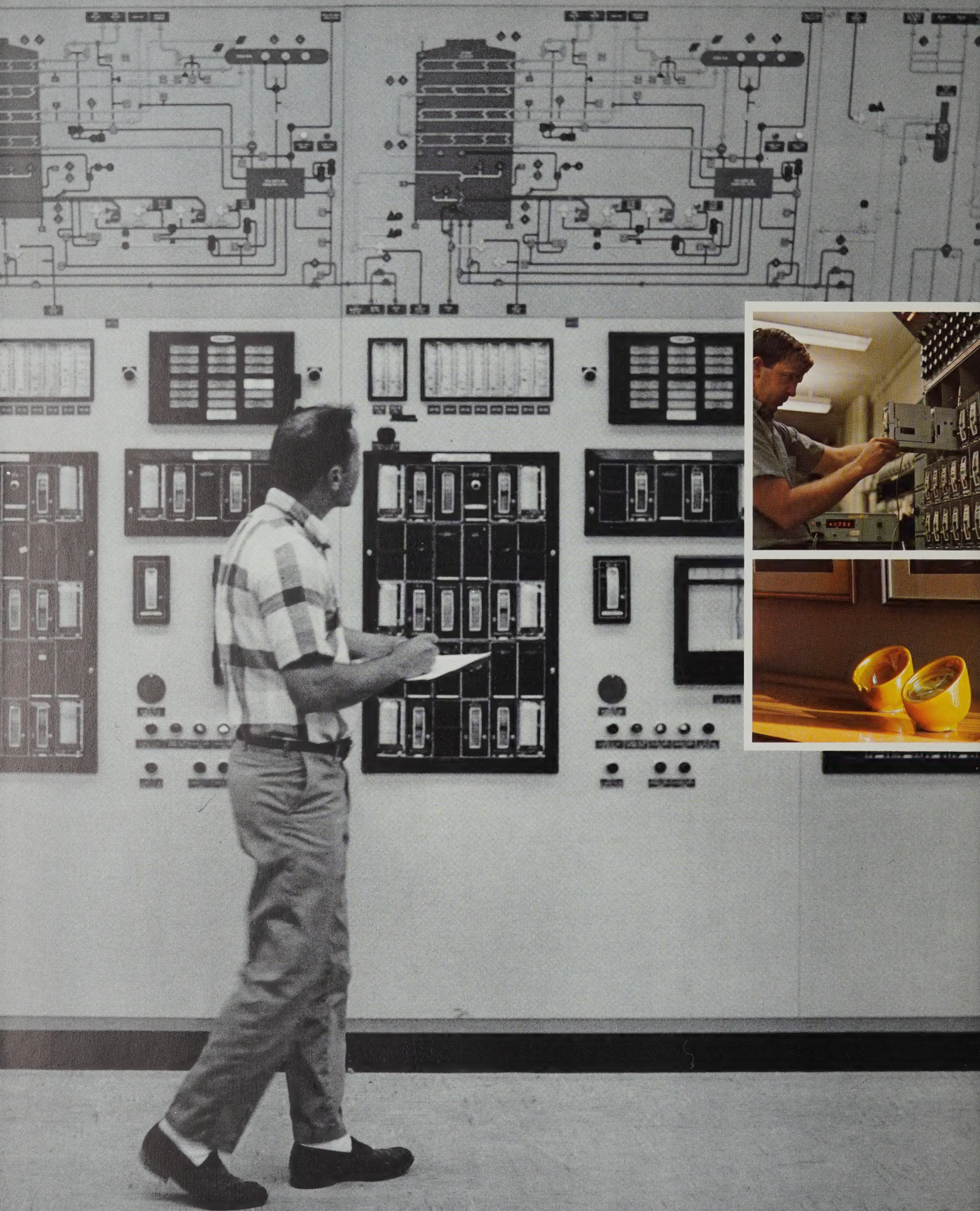
It was a privilege to have known him and to have been associated with him.

However, we do not expect that these problems will have as great an impact on our Company as they did in 1968. We look to a continuing improvement in sales and earnings in our operations serving the health, laboratory, and specialty chemical fields. The timing of a turnaround in sales of process equipment and water and waste treatment equipment is more difficult to predict. Whether this comes in 1969 or is postponed in its full effect on earnings until 1970, we look to the next few years with confidence. We have broadened and balanced our market base and all of our markets should show significant growth in the years ahead.

For the Board of Directors

F. Ritter Shumway
Chairman and Chief Executive

D. G. Sanden
President



Taylor merger adds instrumentation capability.
Taylor's earnings growth exceeds average.
One-third of Taylor's sales are outside the United States.
Labor shortages spur instrument sales.
New name selected for our multi-divisional company.

On October 7, 1968, Taylor Instrument Companies was merged into Ritter Pfaudler Corporation, the surviving company, which adopted the new name Sybron Corporation.

With the addition of Taylor, Sybron moves to the middle range of Fortune Magazine's list of the 500 leading U.S. industrial companies. As little as four years ago, Ritter Corporation and Pfaudler Permutit Inc. each had sales of less than \$65 million. Since the 1965 merger that united those two predecessor organizations, the Company has grown rapidly. Sales for 1968 topped \$264 million. The Company adopted its new name to reflect what it has become—a large, multi-divisional, multi-national enterprise.

Why the Taylor Merger?

The marriage with Taylor was not consummated in a quest for size, however. Although we have recognized that there are certain advantages in size, we have never equated bigness with success. We believe that assembling a complex of weak companies simply compounds their individual faults. We studiously seek to avoid that error. We regard merger and acquisition as one of the means of achieving our objective and use this only as a method for compressing the time otherwise required to achieve an operational goal. The Taylor merger represents an important step forward on a consistent course set by the Company in the early fifties.

A Bridge across Markets

Historically, Taylor has offered a line of instruments and instrumentation systems for customers in three of our markets: health,

Left: A Taylor installation—the process control center of a large refinery.

Top: Quick-Scan electronic recorder undergoes performance check.

Bottom: New Taylor consumer product—desk set with temperature-humidity unit and matching ash tray.

process industries, and water and waste treatment. For many years we have sought products and technologies which represent new ventures but at the same time bridge areas in which we already are involved. The union with Taylor brings us a technical and management nucleus around which we can expand our penetration in these markets by linking equipment and instrumentation capabilities.

Taylor's Long-Term Performance Exceeds the Average

Basic to our philosophy is an insistence that long-term earnings-per-share growth exceed the average for U.S. industry. The marriage with Taylor meets our operational objective of linking markets while also conforming to our philosophy of growth. Taylor's performance record is enviable. Over the past ten years, the organization has achieved 10% compounded volume growth and nearly 15% compounded growth in earnings per share. The growth of instrumentation is inevitable simply because instruments are a substitute for human skills that are growing increasingly scarce and expensive.

Taylor Has Strong International Organization

International involvement has been a basic tenet of the corporation for many years. In fact, Sybron established its first European base with a plant in Germany in 1907. Today, divisions and subsidiaries of the Company are located in all major industrial areas of the world. Taylor's growth has been similarly supported by an outstanding overseas organization. More than 37% of Taylor's sales in 1968 were to customers outside the United States.

New Name Reflects Size and Diversification

With the addition of Taylor, Sybron has become a larger and more diversified company. The name change was not specifically related to that merger, however. For some time management had recognized limitations imposed upon the corporation

because of the name Ritter Pfaudler. An earnest search for a new name began during the early summer of 1967.

The reasons for seeking a new name were several. One was an operational reason. The name Ritter Pfaudler, though formed of two excellent division names, ran counter to the trend toward cooperation and unity among our divisions. The name also did not project a true picture of the corporation. Ritter is too closely associated with the dental market, and Pfaudler too closely associated with process equipment. Although the markets represented by the Ritter and Pfaudler names are still major ones for us, we have grown to the point where our other markets now contribute more than 50% of our sales. We felt that a new name should be created that would be unassociated in the public mind with any particular product or market. At the same time we could continue to use division and subsidiary names in their markets where they enjoy a strong recognition.

Our previous name also caused verbal and graphic difficulties. Many customers, and even shareholders, found the name Ritter Pfaudler difficult to spell and difficult to pronounce. Newspapers took to abbreviating the name to either Ritter or RTR. With the passage of time, our full corporate name was being seen less frequently in the public media.

A Name to Increase Corporate Visibility

We therefore sought a new name that could be used to establish proper recognition of the corporation by all who come in contact with us. We knew that such a name would have to be short and attractive. We also knew that it would have to possess either neutral or positive connotations in every major language of the world since our orientation is global. Sybron fills these requirements. The name marks a dramatic change in the scope of the corporation and an awareness of our international involvement.

R&D Yields Many New Products

Sybron R & D budgets remain at high level.

Cyberail system designed for smaller hospitals.

Kerr's Blendant makes dental fillings "invisible."

Sybron divisions cooperate in laboratory product venture.

New Taylor line climaxes three years of development.

Since the November 1965 merger of Ritter Corporation and Pfaudler Permutit Inc., 16 companies have joined the Sybron corporate family. All of these additions have brought with them products which contribute importantly to our market penetration. In turn, we have materially augmented these resources by significantly increasing the levels of internal investment in product research and development.

Cooperative efforts between divisions have contributed significantly to both new product development and product improvement.

Our Expenditures Reached \$8 Million in 1968

During 1968, our total world-wide expenditures for research and product development were more than \$8 million, and will remain at this level in 1969.

A major portion of these funds was directed to continued development of Cyberail, our automated materials-handling system for hospitals. Until the past year, this system was applicable only to larger hospitals. One important development during 1968 was the design of a loop system for smaller hospitals of 250 to 400 beds. This innovation presents an entirely new marketing opportunity for Cyberail.

Several New Products Introduced in Health Market

Many of our divisional product development programs produced noteworthy results during the year. A number of new products were introduced to the health market. For example, our Kerr division climaxed a three-year development program with the successful introduction of Blendant, a new anterior dental filling material which blends with natural tooth coloring. Together

with Spheraloy, a silver alloy posterior filling material introduced in 1967, Blendant is expected to provide Kerr with a leadership position in this segment of the consumable dental products market.

Ritter division introduced more new products in 1968 than in all of the past five years. They included:

A power chair for podiatrists—a new market for Ritter.

Starlite—a solid-state controlled dental operating light.

Saturn—the most dramatic change in Ritter dental units in 16 years. As in a computer, the internal components are plug-in modules.

Low Vega chair—a major modification of the famous Ritter Vega line to accommodate the new practice of sit-down dentistry.

Vacuumaire—an advanced dental suction system.

Our Hard division introduced the Extendaflax bed and associated patient-room furniture aimed specifically at the nursing home market.

Making its debut at the American Hospital Association convention in the fall of 1968 was Daystar, a major surgical light from our Castle division. The newly developed light offers illumination within 7.5% of perfect daylight.

A New Market for Laboratory Equipment

Thermolyne division entered a new area of the laboratory market with Histo-Center, a product used in hospitals and private pathology laboratories for preparing tissue specimens. Thermolyne also reported excellent market reception of its new laboratory hot plate featuring a sealed heater made of Nucerite®, a ceramic-metal produced by the Pfaudler division. The success of this interdivisional effort prompted the development of a related laboratory product—a magnetic stir-plate, also with a Nucerite sealed heater.

Top:

Close-up of ion exchange resins—one of our specialty chemical products.

Daystar, a new major surgical light, provides illumination within 7.5% of perfect daylight.

Dental units—one of a series of new products for the dentist.

Bottom:

Laboratory hot plate uses sealed heater of Nucerite ceramic metal.

Intricate switching arrangement is part of Cyberail materials-handling system.

Nalge added 14 new products to its line of plastic labware, including the first all-Teflon wash bottle on the market and a student labware kit for the school market. Nalge's line of lab products of TPX, a new glass-clear plastic, continued to enjoy good sales growth during the year.

Search for New Applications for Specialty Chemicals

The constant need for new and improved specialty chemicals and process aids by our customers was reflected in product development activity by our Chemicals Group divisions. For example, at year end, Tanatex Chemical division had 19 chemical formulations under field test.

Our Ionac Chemical division introduced 15 new specialty chemicals during the year. Applications ranged from metal plating systems and office copiers to boiler water treatment.

Jersey State Chemical division expanded its product line with new polymers for use in producing such products as cosmetics and fabrics.

Gamlen Chemical introduced an automated tank cleaning system for large marine vessels. The system can be installed in new or existing tankers ranging from 30,000 to 350,000 tons.

New Research in Air Pollution

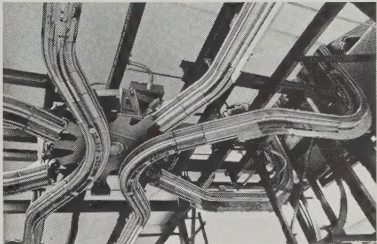
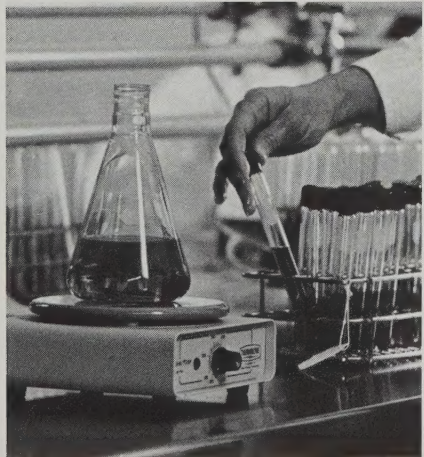
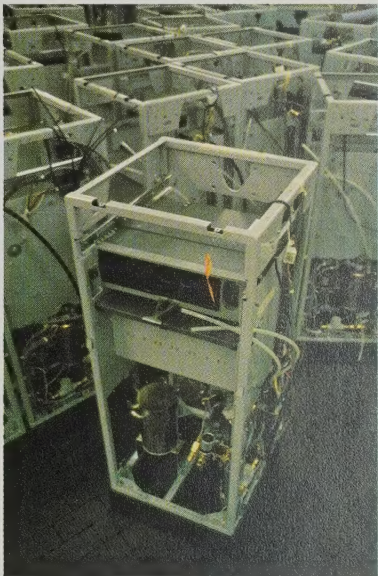
AeroChem Research Laboratories initiated a number of new studies for government agencies. One project, for the National Center for Air Pollution Control, represented AeroChem's first contract in the field of air pollution.

New Taylor Instrument Line—Three Years in Development

In the fall of 1968, Taylor Instrument Process Control Division announced a new line of pressure transmitters—the result of almost three years of development work and more than \$1 million in development cost.

Taylor Instrument Consumer Products Division added several products to its well-known line of instruments for the home, office, recreation and weather forecasting.

One addition was an executive desk set with a temperature-humidity unit and matching ash tray in gold ceramic case. The case, with a barometer unit, won a Housewares Design Award for 1968-69.





Investment in Plants and Equipment Up 30% in 1968

Boston plant increases capacity by 50%.

New plant in Detroit nearing completion.

New water research laboratory will open soon in Princeton.

Pfaunder increases plant capacity by 25%.

A growth company like Sybron cannot fulfill its destiny with plants and equipment designed only for the demands of yesterday's and today's markets. Recognizing this fact, we embarked in 1966 on a five-year program of capital expansion around the world. Thus far, many of our projects have reached completion, while others are well under way. When the total program is completed, the corporation will have invested more than \$50 million.

Investment in New Plants and Equipment up 30% in 1968

During 1968, we continued to invest heavily in these long-range programs. Total capital expenditures reached \$12 million, compared with \$9.1 million in 1967. This level of spending will be maintained in 1969 as we continue to modernize and expand our facilities.

Kerr Moves to New Location

One major project in the program will be completed in early 1969 with the opening of a new \$2.5 million plant for our Kerr division, manufacturer of consumable dental products. This new facility will house expanded research, office headquarters and manufacturing operations. The plant is located on a 34-acre site near the new Detroit Metro Airport and replaces a 44-year-old multi-story factory in downtown Detroit, Michigan.

Barnstead Capacity Increased 50%

Early in 1968, our Barnstead division moved from a complex of old and inefficient plants into a new 100,000 square foot facility in the suburban area of Boston, Massachusetts. In addition to bringing all operations under one roof, the division increased production capacity of water treatment equipment for hospitals and laboratories by 50%.

Also moving into larger, more modern facilities during 1968 was Castle Automated

Systems Division in East Rochester, New York. The division is using the additional space to house a test installation for Cyberail, our hospital materials-handling system.

In Buffalo, New York, our Wright and Hard divisions, manufacturers of hospital equipment, moved into newer quarters. And in Minneapolis, Minnesota, Patterson Dental Co. relocated its home office and training headquarters in a new one-story building in the suburbs.

Plant Capacity for Glasteel Reactors Will Be Increased by 25%

The market for process equipment, normally one of our most profitable, has been affected by the slowing of capital spending in the chemical industry. However, we have confidence in the long-term growth prospects for the process industries and are using the current period of reduced activity to expand and modernize facilities. A plant improvement program at Pfaunder in Rochester was launched in 1967 with an initial \$1 million expenditure. In early 1968, a second major plant expansion was started, which will enable Pfaunder to increase production of large size glassed-steel equipment by 25%. More than \$3 million will be spent in 1969 on continued renovation and expansion of manufacturing and office facilities.

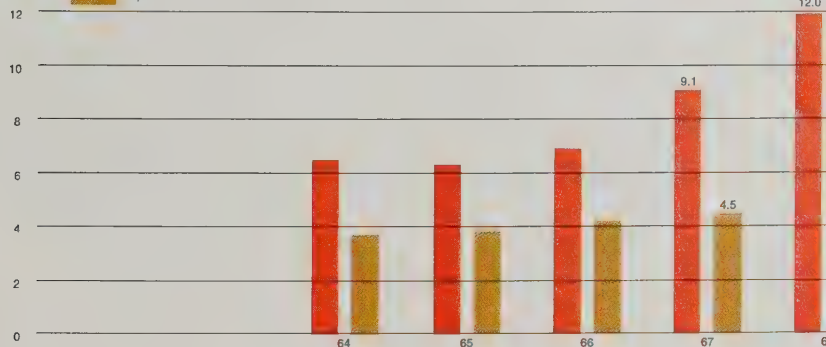
New R & D Center for Water Treatment and Pollution Control

Another major new facility nearing completion is a research center near Princeton, New Jersey, where our Permutit division will continue its research and product development in water treatment and pollution control. We recognize that major growth in the pollution control market awaits the availability of government funds. When that market growth does come, we expect to share in it in a major way.



(\$ Mill.)

Capital Expenditures
Depreciation



Overseas Markets Contribute 22% of Sales

With the Taylor merger in 1968, the corporation's long-standing involvement in international markets was broadened to include instrumentation manufacturing operations in seven nations:

England, Australia, Canada, Germany, France, Mexico and India. Today, divisions and subsidiaries in more than 15 countries supply markets in Europe, Asia, Africa, Australia and the Americas.

Overseas Operations Play Major Role

This commitment to geographical diversification and expansion is fundamental to our corporate philosophy. We believe that overseas areas (where nine out of ten people live) offer us an important opportunity for long-term growth, because our products are keyed to human needs, such as health care, which are basic needs throughout the world.

Our international commitment dates back more than 60 years to our first manufacturing operation in Germany. The number and size of our overseas units and the breadth of

the markets they serve have grown steadily in importance through the years. During 1968, these overseas operations accounted for 22% of our total worldwide orders.

Health Market Continues to Grow

In 1968 our overseas operations reported generally favorable results in spite of unsettled economic conditions, particularly in Europe.

Subsidiaries serving the dental and hospital markets in Europe showed good gains. Our process equipment manufacturing operations reported modest sales increases, reflecting an improving market for capital equipment. Our partially-owned Japanese affiliate reported record orders and shipments of process equipment. Instrumentation sales were also up slightly.

Nationalism Stimulates Growth in Mexico

In Mexico, the government has increased import restrictions in order to foster internal industrial development. Our Taylor subsidiary there benefited in 1968 through increased sales of thermometers and industrial valves. Ritter de Mexico responded to the restrictions by adding new machinery and equipment to expand its manufacturing capacity. Ritter designed and introduced a new dental chair. Economical and modern, the chair has been installed in two dental schools and in private dental offices.

Market Coverage Extended in Latin America and Asia

Our scientific and professional product lines were broadened and strengthened in the Asian area when marketing responsibility was transferred from domestic to area divisions. The Latin American area also assumed

responsibility for additional specialty chemicals and laboratory lines. Taylor extended its Asian market for instrumentation into Pakistan and Indonesia.

Plant Improvements Carried Out in Overseas Operations

Our Gamlen organization, which has a strong international position in the specialty chemicals market, completed construction of a second plant at Gamlen (Japan) Ltd. and launched an expansion program at Gamlen (South Africa) (Proprietary) Ltd. to help meet the additional product demands in those overseas areas.

Shinko-Pfautler completed a new assembly bay with a 50-ton overhead crane to help meet the demand for larger glassed-steel reactors.

During the year, Pfautler Permutit S.A. de C.V. in Mexico initiated plans for a facility for the manufacture of glassed-steel equipment. The new plant will be our first major glassed-steel operation in Latin America.



Sales by Marketing Areas

In 1968, sales by marketing areas were:
 North America—78%
 Europe—18%
 Latin America—2%
 Asia—2%.

Worldwide Divisions Serve Six Markets

Health

Sybron is a major supplier to dentists, physicians, hospitals and patient care centers around the world. Twenty of our divisions and subsidiaries provide a wide range of equipment and consumable products from tiny burs for dental drills to materials-handling systems for hospitals.

During 1968, shipments to this market were 33% of our total. (19% Dental; 14% Medical/Hospital).

Laboratory

Medicine, science and industry rely on the laboratory for research and diagnostic services. Sybron companies help by providing plastic labware, electrical heating apparatus, washing equipment, sterilizers and water purification equipment for this expanding market.

In 1968, laboratory products were 5% of our total sales. (2% Education/Government; 3% Medical/Industrial).

Water

Growing concern about pollution points to an expanding market for water and waste treatment equipment. Sybron divisions play an important role in this vital field. Our chemicals, equipment and instrumentation are used to prepare water for human and industrial consumption, and to treat it before it is returned to natural sources.

Products for this market were 5% of our 1968 sales. (4% Industrial; 1% Municipal/Utility).

Process Industries

Many of the foods we eat, the beverages we drink, the medicines we take and the clothes we wear are made possible by equipment from Sybron divisions. The process industries market is a dynamic one. Burgeoning population and rising world-wide standards of living assure continued long-term demand for its products. We help fill that demand with a line of equipment to distill, evaporate, dry, mix and process chemicals, drugs, plastics, food and beverages.

During 1968 our sales to this market were 19% of our total shipments. (12% Chemical/Drug; 3% General Industry; 4% Food/Beverage).

Specialty Chemicals

Specialty chemicals find their way into the entire spectrum of modern products for home and industry. Sybron chemicals are ingredients in cleaning compounds, floor waxes, fuel additives. Our chemicals are also used as process aids in the dyeing and treatment of synthetic fibers, in the manufacture of pulp and paper and similar applications.

Shipments to this market were 12% of our sales in 1968. (9% Industrial; 2% Marine; 1% Water Treatment).

Instrumentation

Higher costs and a growing scarcity of skilled labor point to an increasing demand for sophisticated instrumentation. Sybron is prepared to share in that demand. Products from our Taylor group of world-wide companies include pneumatic and electronic industrial process control instrumentation; diagnostic medical instruments; and consumer instruments such as barometers and thermometers for the home, office and scientific laboratories.

Sales to this market in 1968 were 26% of the corporate total. (22% Process Instruments; 4% Consumer/Medical).

How We Serve the Growing Health Market

In 1887, what is now our Ritter division manufactured its first dental chair. From that modest beginning Sybron has grown to become a major supplier to the health market. Today, 12 of our domestic divisions and 8 of our overseas divisions and subsidiaries provide equipment and consumable supplies for physicians, dentists, hospitals, clinics and nursing homes. The extent of this involvement is underlined by the fact that these customers accounted for 33% of our total 1968 sales.

Hospitals Use Many Sybron Products

The modern hospital with its numerous departments and functions illustrates the many ways in which our products serve growing needs for medical and dental care. Whether it be in surgery, a central supply area, a laboratory, a patient's room, an out-patient clinic or dental dispensary, products from Sybron contribute to improved health and physical comfort. Some of the products supplied by our divisions include:

- Water purification equipment
- Sterilizers
- Lights
- Surgical equipment
- X-ray equipment
- Laboratory equipment and supplies
- Dental chairs and units
- Dental supplies
- Diagnostic instruments
- Washing equipment
- Materials-handling systems
- Patient-room furniture
- Examining tables and chairs

Diversification Began in the 1950's

Diversification from dental equipment to the wide range of products offered today began in the 1950's. During the decade preceding the 1965 merger that created Ritter Pfaudler Corporation, Ritter acquired

four companies serving the medical and dental markets. These were:
Liebel-Flarsheim Company—X-ray specialties and surgical equipment.

Castle Company—sterilizers, surgical lights, operating tables.

Kerr Manufacturing Company—dental consumables including impression materials, waxes, filling materials, burs and drills.

Patterson Dental Co.—distributor of dental supplies and equipment.

Planning for Growth

Following the formation of Ritter Pfaudler, management analyzed the corporation's products and markets and established a plan for growth.

Through this plan we have successfully expanded our involvement in several major markets, most notably in the health field. We recognized that our Castle and Liebel-Flarsheim divisions were serving only a small part of the growing hospital market. Seeking to build upon our product base, we added Barnstead, a manufacturer of water purification equipment, and R. G. Wright, a producer of washing equipment. In addition to increasing our market coverage, the new product lines interrelated with Castle's sterilizers, for all three types of equipment are used in hospital central supply areas.

We moved to a new area of the hospital with the acquisition of Hard Company, a leading producer of patient-room furniture. We expanded the X-ray equipment line of our Liebel-Flarsheim division with the addition of Hogan X-Ray Company, a small manufacturer of X-ray specialties and accessories. We also enhanced our market position abroad with the addition of Drayton Castle Limited, an English manufacturer of sterilizers and surgical lights.

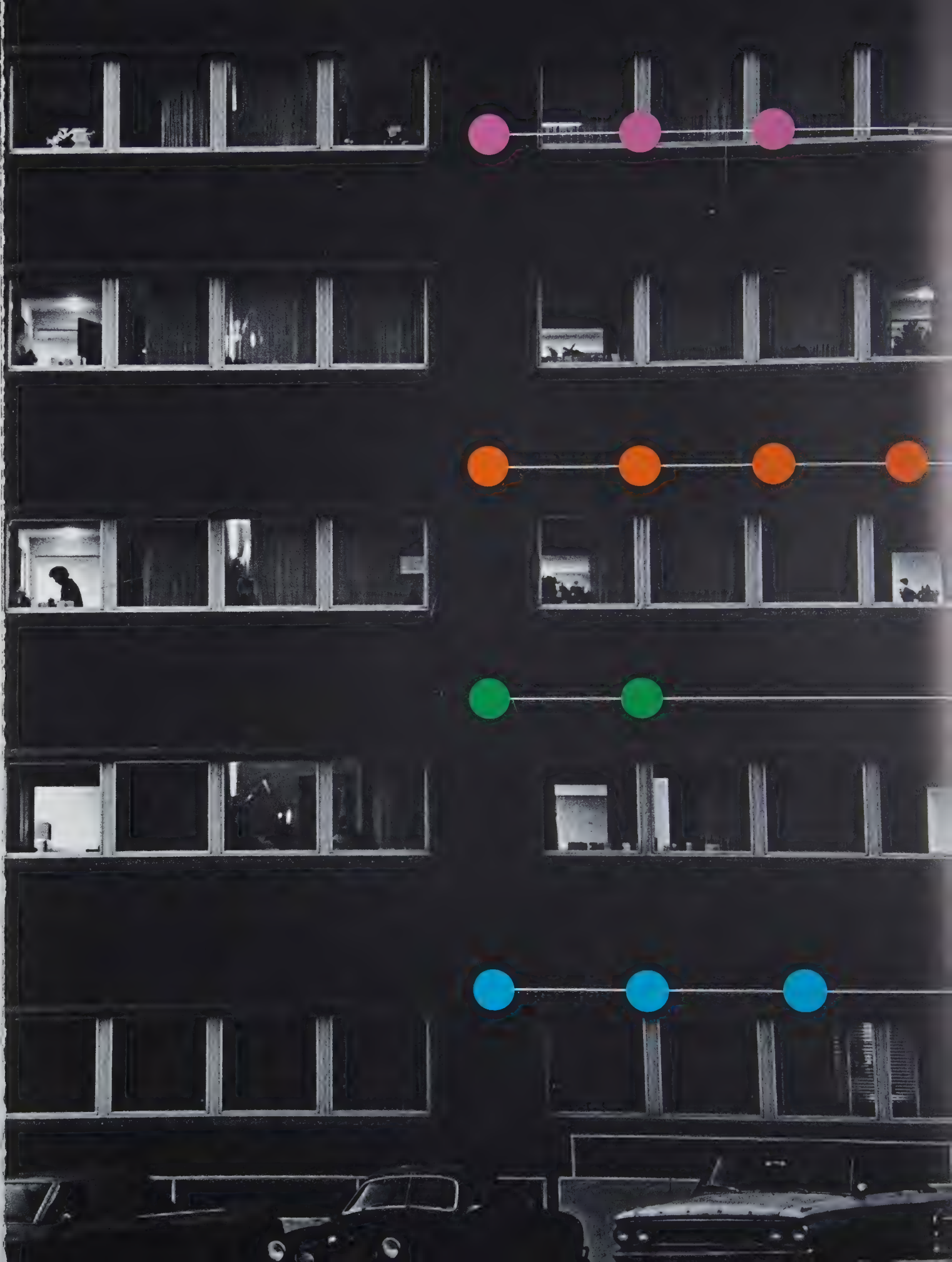
We recognized a growing need for equipment to improve efficiency and reduce the cost of distribution and collection of the many materials used in hospitals. To meet that market need, we acquired Eisen- und

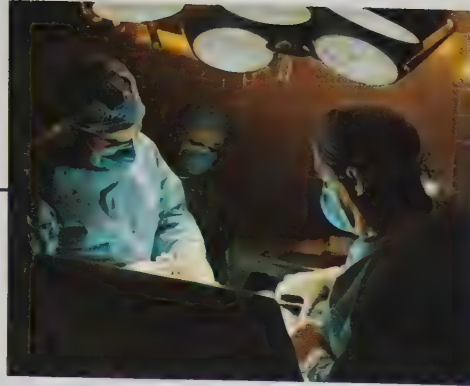
Stahlwarenfabrik A.G., a Swiss manufacturer of a unique monorail materials-handling system. We then established Castle Automated Systems Division to manufacture and market the Cyberail system in the United States.

We Link Our Markets

These efforts to build our strength in the health field also provided opportunities to link our markets by overlapping products and technologies. Among their many supporting sources, hospitals operate various laboratories to assist in diagnosis. This interrelationship of the hospital and laboratory markets is apparent in our divisions' product uses. Barnstead, Castle and Wright, though primarily suppliers to the health field, also serve the laboratory market with washers, sterilizers and water purification equipment. Our position in the laboratory market is strengthened by two other divisions—Nalge, a producer of plastic laboratory ware, and Thermolyne, a manufacturer of laboratory hot plates and related equipment. Thus we are able to serve segments of both the health and laboratory markets with these five divisions. At the same time, technologies link our divisions although they may serve completely different customers. Barnstead's technology in water treatment links it with our Permutit division which makes water treatment equipment for municipalities and industry.

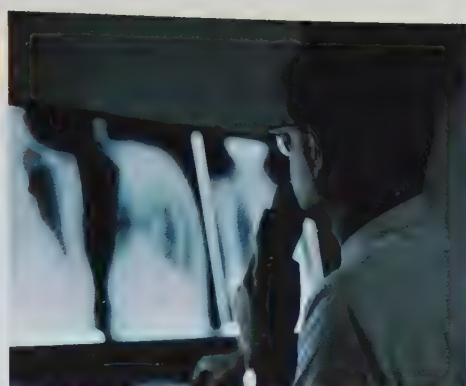
The 1968 addition of Taylor provided yet another opportunity to link major markets. The bulk of Taylor's shipments are in the field of process control instrumentation. However, the company also produces a range of diagnostic instruments including blood pressure indicators and stethoscopes that are highly respected by physicians around the world. At the same time, Taylor sells to the process industries and water and waste treatment markets, which are also served by several other divisions.





Surgery

For many years, Sybron divisions have provided a variety of lights and tables to meet the special needs of the surgeon. During 1968, we introduced Daystar, a new surgical light with illumination close to perfect daylight.



X-ray

X-rays are used in diagnosis and to help plan surgical procedure. Sybron divisions manufacture a number of X-ray equipment components including grids and Potter-Bucky diaphragms, as well as tables, patient positioners, timers and radiographic accessories.



Urology

Today's hospital provides a number of highly specialized medical services. Physicians are aided in their work by our urological X-ray table and other special equipment.



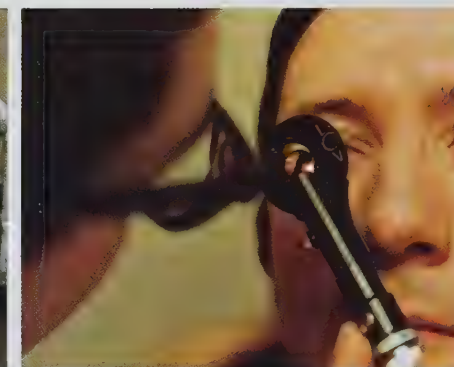
Patient Room

Sybron provides a complete line of patient room furniture that combines comfort with effortless efficiency. Our electrically operated beds, for example, can be adjusted by either patient or nurse with just the touch of a button.



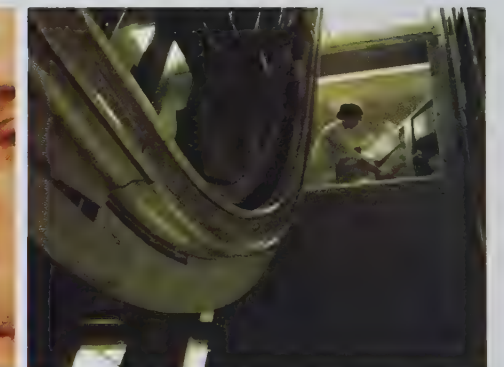
Laboratory

Physicians increasingly look to the hospital's specialized laboratories to help shorten the time span between examination and diagnosis. From Sybron divisions comes a range of laboratory equipment and supplies including heating apparatus, sterilizers, washers, stills and plastic labware such as bottles, beakers and funnels.



EENT

EENT is the abbreviation for the branch of medicine dealing with the examination and treatment of disease and injury of the eyes, ears, nose and throat. The specialist in this field uses several pieces of Sybron equipment including special chairs, tables and lights.



Materials Handling

The modern hospital, with its diversity of services, requires hundreds of non-medical employees to perform housekeeping, maintenance and patient care functions. Cybair, our materials-handling system, helps relieve the problems of manpower shortages and labor costs by providing an automated means of transporting food, linen and supplies.



Diagnosis

The addition of Taylor to the Sybron group of companies extended our range of medical products to include diagnostic instrumentation. Included are the Tycos blood pressure instrument (sphygmomanometer) and Tycos stethoscope.



Dental

Sybron divisions make a full range of dental equipment, accessories and consumable supplies. Included are chairs, lights, units, consoles, X-ray equipment, autoclaves, instruments, burs, filling materials, denture materials, evacuating systems, laboratory supplies and operating stools.



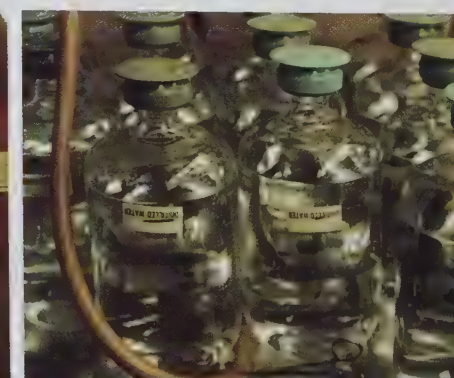
Central Supply

From the central supply room come surgical packs, instruments and all the normal working tools of the professional staff. They are washed and sterilized in equipment made by Sybron divisions.



Emergency

A team of physicians, nurses and technical assistants provide emergency care around the clock. Sybron divisions help with a broad line of equipment including examining tables and lights, patient beds and furniture, portable electrosurgical units, sterilizers, X-ray components and diagnostic instruments.



Pure Water

The needs of a hospital are many and varied. Not the least among those needs is water. Distillation and storage equipment from Sybron provide pure water for use in a hospital pharmacy, laboratory or wherever it is needed.



During the past four years we have pursued a program of planned growth in specialty markets, many of which interrelate with each other. In the center spread we focus on the health market to illustrate these interrelationships.



The following is a summary of our operating results on a consolidated basis.

Earnings

Net income in 1968 amounted to \$14,758,000 compared to \$15,476,000 in 1967. On a per share basis, earnings were \$1.35 in 1968 and \$1.44 in 1967. For comparative purposes, the 1967 figures have been restated to include the acquisition, in 1968, of The Tanatex Chemical Corporation and the merger of Taylor Instrument Companies.

Sales

Consolidated net sales in 1968 rose to \$264,570,000 from \$263,124,000 in 1967. Sales by United States units amounted to \$205,972,000 in 1968, compared to 1967 sales of \$203,031,000. Sales by units outside the United States were \$58,598,000 in 1968 and \$60,093,000 in 1967.

Orders

In 1968, orders for company products on a consolidated basis climbed to \$267,980,000 compared to \$251,363,000 in 1967, an increase of \$16,617,000. The backlog of unfilled orders at the end of 1968 was \$62,208,000, compared to the backlog one year earlier of \$61,320,000.

Dividends Paid

Dividends paid on common stock in 1968 totaled 60 cents per share compared to 55 cents (adjusted for the 2-for-1 stock split in 1967) in the prior year. The initial quarterly payment of 60 cents per share on the preferred stock was declared on October 31, 1968, and paid on January 2, 1969.

Consolidation Practices

The financial statements include the accounts of Sybron Corporation and its subsidiaries.

Financial statements of subsidiaries operating outside of the United States have been converted to U.S. dollars at appropriate rates of exchange. Intercompany balances, sales and profits have been eliminated in the consolidated financial statements.

Acquisition of The Tanatex Chemical Corporation

The Tanatex Chemical Corporation, Lyndhurst, New Jersey, was acquired in June, 1968 for 454,664 shares of common stock of the Company. The company serves the growing synthetic fiber market with specialty chemicals which are used in the dyeing of polyesters, acrylics and other synthetic fibers used in permanent press slacks, shirts, knit goods, carpeting and similar products. Tanatex has been included in the consolidated results of operations on a "pooling of interests" basis.

Merger of Taylor Instrument Companies

On October 7, 1968, the shareholders of the Company and of Taylor Instrument Companies, Rochester, New York, at separate meetings, approved a plan of merger of Taylor into the Company and the change of name from Ritter Pfaudler Corporation to Sybron Corporation.

Taylor is a major manufacturer of instruments for industry, laboratories, the medical profession and consumer use. About 85% of its business is accounted for by instruments and control systems for industrial use. The remaining 15% is in a consumer product line, which includes barometers, compasses, thermometers, wind speed and direction instruments; and in a medical line of blood pressure and other diagnostic instruments.

As of October 7, 1968, the effective date of the merger of Taylor into the Company, 1,172,002 shares of new preferred stock were issued on a one-for-one basis in exchange for all Taylor common stock outstanding except for 467,922 shares previously purchased by the Company for \$33,096,000. These latter shares were cancelled effective with the merger. In accordance therewith, the acquisition of Taylor has been accounted for as a part purchase and part "pooling of interests". The excess paid over the underlying assets applicable to the shares purchased by the Company amounted to \$22,336,000 and has been included in the Statement of Financial Position in the caption "Cost in excess of underlying net asset value of acquired companies".

The total cost in excess of underlying net asset value of acquired companies as shown in the Statement of Financial Position is not being amortized because, in the opinion of the Company, it has continuing value.

The financial statements for 1967 have been restated to include Tanatex and Taylor on a basis comparable to 1968.

Operations Outside the United States

Included in the caption "Investments in domestic and foreign associated corporations" in the Statement of Financial Position is the Company's 50% ownership in several foreign companies carried at underlying net asset value at December 31, 1968 of \$1,088,000. The Company's interest in the net income of these companies is included in the Statement of Income under the caption "Dividends, fees and income from associated corporations".

Consolidated net income includes net income of subsidiaries and the Company's equity in the net income of 50% owned affiliates operating outside the United States. This amounted to \$5,272,000 in 1968 and \$4,765,000 in 1967.

The Statement of Financial Position includes the following net assets of these subsidiaries and the Company's equity in 50% owned affiliates located outside the United States:

	1968	1967
Net current assets.....	\$19,240,000	\$16,441,000
Properties (net) and other non-current assets	19,673,000	17,882,000
	<u>38,913,000</u>	<u>34,323,000</u>
Less—Long-term debt and other non-current liabilities	4,975,000	4,943,000
Net Assets	<u>\$33,938,000</u>	<u>\$29,380,000</u>

The devaluation of the British pound in 1967 resulted in a charge against net income for that year of \$667,000.

Working Capital

At December 31, 1968 working capital amounted to \$74,067,000, a decrease of \$26,751,000 from the preceding year end. The ratio of current assets to current liabilities declined from 3.3 to 1 at the end of 1967 to 2.0 to 1 at the end of 1968. The major reason for the decrease in working capital was the purchase of Taylor common stock by the Company prior to the merger of Taylor and the borrowing of \$29 million in connection with such purchases.

Total consolidated receivables from customers, net of deferred income and allowance for losses were \$56,948,000 at the end of 1968 compared to \$56,443,000 a year earlier as shown in the table below. These balances include amounts due after one year of \$5,785,000 and \$6,233,000 at December 31, 1968 and 1967 respectively.

	1968	1967
Accounts receivable	\$50,503,000	\$49,755,000
Notes receivable and installment contracts	9,121,000	9,287,000
Equity in installment contracts sold	475,000	801,000
	<u>60,099,000</u>	<u>59,843,000</u>
Less—Deferred income on installment contracts and other receivables	2,091,000	2,362,000
Allowance for doubtful accounts	1,060,000	1,038,000
Total	<u>\$56,948,000</u>	<u>\$56,443,000</u>

Inventories are valued generally at cost (standard costs approximating actual, first-in, first-out, and at one division on a last-in, first-out basis) and are not in excess of market. Major classifications of inventory are as follows:

	1968	1967
Raw materials and supplies	\$20,899,000	\$19,579,000
Work in process including finished and semi-finished parts	39,480,000	39,009,000
Finished products	16,519,000	13,947,000
Total	<u>\$76,898,000</u>	<u>\$72,535,000</u>

At December 31, 1968 the Company and its subsidiaries had short-term debt outstanding of \$34,940,000. The increase in short-term borrowing from the preceding year is due principally to the borrowings in connection with the acquisition of the Taylor common stock referred to above.

Property, Plant and Equipment

Expenditures for capital additions in 1968 totaled \$11,975,000 compared to \$9,129,000 in 1967.

Depreciation charges to income, which are computed on a straight-line basis in most cases, amounted to \$4,746,000 and \$4,466,000 in 1968 and 1967 respectively.

The major classifications of property, plant and equipment are as follows:

	1968	1967
Land and land improvements	\$ 4,015,000	\$ 4,055,000
Building and building improvements	33,800,000	32,247,000
Machinery and equipment..	55,371,000	51,582,000
Construction in progress..	5,089,000	1,576,000
	<u>98,275,000</u>	<u>89,460,000</u>
Accumulated depreciation..	46,725,000	43,764,000
Total	<u>\$51,550,000</u>	<u>\$45,696,000</u>

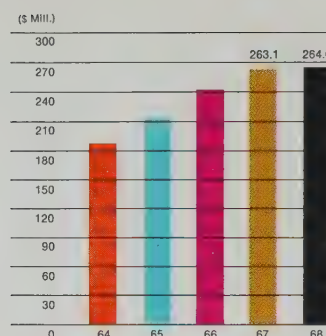
Long-Term Debt

A breakdown of long-term debt is as follows:

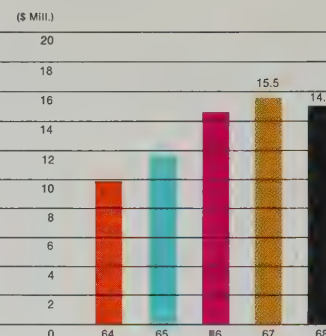
	1968	1967
Notes payable to banks due 1970-1974	\$12,000,000	\$ 9,500,000
5¼% notes due 1977, payable in annual installments of \$500,000 ...	4,500,000	5,000,000
4½% convertible subordinated debentures due 1987, convertible into preferred stock at \$63.00 a share, sinking fund requirements of \$342,000 in 1980 and \$800,000 thereafter	9,330,000	12,188,000
4½% convertible subordinated debentures due 1980, convertible into common stock at \$17.27 a share	894,000	2,034,000
Other long-term debt	1,755,000	1,333,000
	<u>28,479,000</u>	<u>30,055,000</u>
Less—Payments due within one year classified as current liabilities	789,000	790,000
Total	<u>\$27,690,000</u>	<u>\$29,265,000</u>

In 1967 the Company entered into a seven year credit agreement with three commercial banks. Under this arrangement the Company has the right to borrow up to \$15,000,000 until April 1, 1970 at an interest rate of 5¾ %. At the end of this period any principal amount then outstanding will convert into a loan payable quarterly over the next four and one-half years. On those ten payments maturing on or before October 1, 1972, the rate of interest is 5¾ % and the rate of interest on the eight payments due thereafter is 6%. The Company pays a commitment fee of ¼ of 1% on the unborrowed balance during the first two and one-half years. The amount borrowed at December 31, 1968 was \$12,000,000.

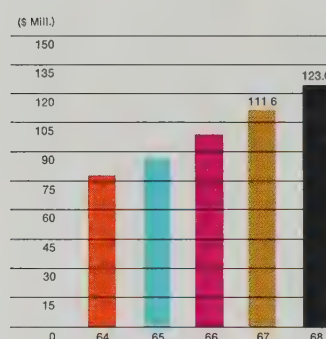
Net Sales



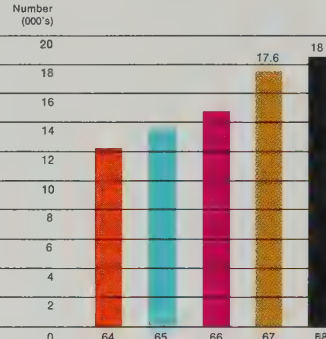
Net Earnings



Shareholders' Equity



Shareholders



In 1968 the Company entered into a three year "Eurodollar" credit agreement with two banks. Under this arrangement the Company has the right to borrow up to \$8,000,000 until March 1, 1971 when any outstanding balances become due. Borrowings under this agreement are made on the basis of 90 day renewable notes with interest set at the time of borrowing or renewing at the best interest rates then available. The Company pays a commitment fee of 1/2 of 1% on the unborrowed balances. At December 31, 1968 a total of \$500,000 was borrowed at 8 1/2 % per annum.

During 1968 an additional \$1,140,000 of convertible debentures due in 1980 were converted into common stock and a total of 65,991 common shares of the Company were issued in connection therewith. Because of conversions in 1968 and prior years, all sinking fund requirements have been fulfilled. At December 31, 1968 a total of \$894,000 remained outstanding and 51,766 unissued common shares were reserved for future conversions of these bonds.

Also, during 1968 \$2,858,000 of the original Taylor convertible debentures issued in 1967 and due in 1987 were converted—\$2,443,000 into Taylor common stock prior to the merger on October 7, 1968 and \$415,000 into preferred stock subsequent to the merger. A total of 148,088 unissued preferred shares were reserved for future conversions of the remaining \$9,330,000 debentures outstanding at December 31, 1968. When these bonds were issued in 1967, no

allocation of an imputed amount of debt discount attributable to the conversion feature was made in accordance with an accepted accounting method. Should allocation be required on a retroactive basis, the effect on the financial statements would not be material.

Under certain of the long-term debt agreements there are provisions for restrictions, including restrictions on the payment of cash dividends. At December 31, 1968, under the terms of the most restrictive agreements, \$17,507,000 of retained earnings are available for cash dividends.

Shareholders' Equity

Total shareholders' equity at December 31, 1968, including preferred stock, amounted to \$123,584,000 compared to \$111,632,000 at the end of 1967.

Book value per common share amounted to \$10.63 at December 31, 1968 and \$9.57 at December 31, 1967.

The new preferred stock issued in connection with the merger of Taylor into the Company provides for cumulative dividends at the annual rate of \$2.40 per share, payable quarterly on January 1, April 1, July 1, and October 1. Each share of preferred stock is convertible into 1.6 common shares and is redeemable at the option of the Company after November 1, 1973 at \$70.00 per share plus accrued dividends. In the case of voluntary liquidation of the Company, each holder of preferred stock is entitled to \$70.00 per share, and in the case of involuntary liquidation, to \$22.00 per share.

The following is a summary of the changes in preferred and common shares outstanding during 1968 and 1967:

	1968	1967
Preferred Stock:		
Equivalent shares at beginning of year issued for Taylor Instrument Companies on a partial "pooling of interests" basis		1,084,297
Adjusted balance at beginning of year	1,118,988	1,084,297
Shares issued for:		
2% stock dividend of Taylor		22,127
Stock options	16,493	12,564
Conversion of debentures due 1987	45,328	
Conversion to common stock	(45)	
Balance at end of year	1,180,764	1,118,988
Common Stock:		
As previously reported		8,457,108
Additional shares issued for The Tanatex Chemical Corporation on a "pooling of interests" basis		454,664
Adjusted balance, beginning of year	9,087,689	8,911,772
Shares issued for:		
Stock options	28,948	44,814
Conversion of debentures due 1980	65,991	131,103
Conversion of preferred stock	72	
Balance at end of year	9,182,700	9,087,689

Outstanding stock option obligations of the predecessor companies, Ritter Corporation and Pfäudler Permutit Inc., were assumed by the Company on November 1, 1965 at the time of the consolidation. All such options are now exercisable (at prices not less than 100% of the fair market value on the date of grant) except for options covering 3,112 shares of common stock which become exercisable in 1969.

Outstanding stock options of Taylor on the date of the merger into the Company were also assumed by the Company. These options are generally exercisable over a five to ten year period at prices not less than 100% of fair market value on the date of grant and are exercisable into preferred stock in accordance with the terms of the merger.

A 1966 Stock Option Plan was approved by the shareholders on April 28, 1966. Under the terms of this plan, options covering 200,000 shares of the common stock of the Company may be granted to key employees of the Company and its subsidiaries by the Board of Directors at any time during a five year period ending April 27, 1971. The term of the options may not exceed five years. Options are exercisable to the extent of one-fourth of the total granted each year beginning one year after the date of grant at option prices not less than 100% of fair market value on the date of grant. At December 31, 1968 a total of 66,872 unissued common shares were reserved for future grants under this plan.

A summary of the changes during the year in outstanding stock options covering preferred and common shares is as follows:

	Preferred Stock	Common Stock
Granted and unissued at January 1, 1968.....	55,391	130,612
Granted at the following prices:		
Preferred at \$64.00 per share	800	
Common at \$35.25 to \$37.57 per share		91,335
Cancelled	(824)	(10,375)
Exercised at the following prices:		
Preferred at \$9.24 to \$45.25 per share	(16,493)	
Common at \$9.67 to \$20.16 per share		(28,948)
Granted and unissued at December 31, 1968 at the following prices:		
Preferred at \$9.24 to \$64.00 per share	38,874	
Common at \$11.13 to \$37.57 per share		182,624

In addition to the preferred and common shares reserved for the above options, there were 148,088 preferred and 51,766 common shares reserved at December 31, 1968 for the conversion of the outstanding 4½ % subordinated debentures due 1987 and 1980 respectively. A total of 2,188,362 common shares are also reserved for conversion of the preferred stock, including preferred stock reserved for stock options and bond conversions.

Pensions

The Company and its subsidiaries have various pension plans covering eligible employees. The past service liability of these plans at December 31, 1968 is approximately \$9,000,000 which amount is being charged to income over varying periods not originally exceeding forty years. The actuarially computed value of vested benefits for certain of the pension plans at December 31, 1968 exceeded the total applicable assets by approximately \$1,000,000. Certain subsidiary companies have individual plans related to local requirements. Pension costs included in charges against income were \$2,809,000 in 1968 and \$2,833,000 in 1967.

Miscellaneous

The Company has certain deferred compensation agreements. In connection with these agreements the Company has purchased and holds 11,918 shares of its common stock at December 31, 1968 at a cost of \$177,000 which amount is included in “Other non-current assets” and the liability with respect thereto is included in “Other non-current liabilities” on the Statement of Financial Position.

On September 30, 1966 a complaint was filed by the Justice Department alleging that the acquisition of M. F. Patterson Dental Supply Co. by the former Ritter Corporation in April 1965 was in violation of antitrust laws. On November 30, 1966 the Company filed an answer challenging the government’s basic legal conclusions. Pre-trial proceedings have been continuing since that time.

Two Directors Mourned

It is with deep regret that we note the passing of two directors. Our executive vice president, John H. Castle, Jr., died unexpectedly at age 52 on October 4, 1968. Mr. Castle started his long and successful career with the Company in 1940 when he joined Castle Company, now a division of the corporation. He served as president of Castle from 1959 to 1964 and executive vice president of Ritter Corporation from 1959 to 1965, at which time he was elected executive vice president of Ritter Pfäudler.

Ranlet Miner, retired vice chairman of Pfäudler Permutit Inc., a Sybron predecessor which he helped build, died on August 8, 1968. He began his company career in 1930 with The Pfäudler Co., a Sybron division.

Management

On October 7, 1968, the Board of Directors elected three new corporate officers. Raymond E. Olson, former chairman of the Taylor Board of Directors, was elected vice chairman of the Sybron Board. Marc E. Porter, former president and chief executive of Taylor, was elected a corporate group vice president with responsibility for overseeing the activities of Taylor divisions and subsidiaries in the newly established Instrument Group. Mr. Porter also serves as a member of the Board. John G. Brummer, former Taylor secretary, was elected an assistant secretary of the Company.

On April 25, 1968, the Board elected three new corporate vice presidents. They are: James M. Kieffer, vice president, secretary and counsel; Graydon C. Essman, vice president—Asian Area; and Ramon Patuel, vice president—Latin American Area.

On December 12, 1968, the Board elected Elwood W. Geisinger to a newly established office of vice president—International, effective January 1, 1969. Lawrence R. DeVitis was elected to succeed Mr. Geisinger as vice president—European Area, effective the same date.

Statement of Income

Sybron Corporation and Subsidiaries

	Year Ended December 31,	1968	1967
Sales and other revenue:			
Net sales		\$264,570,000	\$263,124,000
Interest and finance charges		1,232,000	1,293,000
Dividends, fees and income from associated corporations		1,509,000	1,193,000
Miscellaneous income (net)		1,208,000	1,150,000
Total Revenues		<u>268,519,000</u>	<u>266,760,000</u>
Costs and expenses (including depreciation 1968—\$4,746,000; 1967—\$4,466,000):			
Cost of goods sold		163,595,000	164,619,000
Selling, administrative, research and development expenses		71,468,000	68,274,000
Interest expense		2,799,000	2,207,000
Total Costs and Expenses		<u>237,862,000</u>	<u>235,100,000</u>
Income before taxes		30,657,000	31,660,000
Federal, state and foreign taxes on income		15,080,000	15,222,000
Net income before adjustment relating to Taylor stock purchase		15,577,000	16,438,000
Less—net income applicable to Taylor stock purchased by the Company and accounted for as a purchase		819,000	962,000
Net income		<u>\$ 14,758,000</u>	<u>\$ 15,476,000</u>
Net income per share (see Note)		<u>\$1.35</u>	<u>\$1.44</u>
Pro forma net income per share (see Note)		<u>\$1.32</u>	<u>\$1.39</u>

Note: Net income per share has been computed with the average number of common shares outstanding during the periods representing the sum of: (1) actual average number of common shares outstanding; and (2) the average number of common shares which would be outstanding if the preferred stock were converted into common stock in accordance with the consideration of the preferred stock as a residual security.

Pro forma net income per share has been computed by adjusting net income per share to effect the assumption that: (1) the 4½% debentures due 1980 and 1987 were fully converted into common and preferred shares respectively and the preferred shares then converted into common shares; and (2) all outstanding stock options were exercised for common and preferred stock and the preferred stock converted into common stock; and (3) that the appropriate related adjustments to net income were made.

(The Financial Review on pages 18 to 21 is an integral part of the financial statements)

Statement of Financial Position

Sybron Corporation and Subsidiaries

Assets	December 31,	1968	1967
Current assets:			
Cash		\$ 10,979,000	\$ 9,680,000
Marketable securities, at cost (approximates market)		564,000	3,400,000
Accounts, notes and installment receivables net of deferred income and allowance for doubtful accounts		56,948,000	56,443,000
Inventories		76,898,000	72,535,000
Prepaid expenses		1,395,000	1,947,000
Total Current Assets		146,784,000	144,005,000
Investments and other non-current assets:			
Investments in domestic and foreign associated corporations		2,043,000	1,732,000
Cost in excess of underlying net asset value of acquired companies		27,306,000	5,032,000
Other non-current assets		1,494,000	1,657,000
Property, plant and equipment, at cost, less allowance for depreciation			
1968—\$46,725,000; 1967—\$43,764,000		51,550,000	45,696,000
Total Assets		<u>\$229,177,000</u>	<u>\$198,122,000</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term debt		\$ 34,940,000	\$ 6,231,000
Long-term debt due within one year		789,000	790,000
Accounts payable		12,178,000	11,495,000
Preferred stock dividend payable		708,000	
Accrued expenses		12,512,000	12,243,000
Customer advances		3,431,000	2,797,000
Estimated taxes on income		8,159,000	9,631,000
Total Current Liabilities		72,717,000	43,187,000
Long-term debt		27,690,000	29,265,000
Other non-current liabilities		5,186,000	4,501,000
Total Liabilities		<u>105,593,000</u>	<u>76,953,000</u>
Taylor net assets applicable to shares purchased in 1968			<u>9,537,000</u>
Shareholders' equity:			
Preferred stock, \$4.00 par value—authorized 1,835,754 shares, outstanding 1968—1,180,764 shares; 1967—1,118,988 shares		4,723,000	4,476,000
Common stock, \$2.50 par value—authorized 20,000,000 shares, outstanding 1968—9,182,700 shares; 1967—9,087,689 shares		22,957,000	22,720,000
Additional paid-in capital		10,159,000	6,709,000
Retained earnings		85,745,000	77,727,000
Total Shareholders' Equity		<u>123,584,000</u>	<u>111,632,000</u>
Total Liabilities and Shareholders' Equity		<u>\$229,177,000</u>	<u>\$198,122,000</u>

(The Financial Review on pages 18 to 21 is an integral part of the financial statements)

Statement of Retained Earnings

Sybron Corporation and Subsidiaries

	Year Ended December 31,	1968	1967
Balance at beginning of year:			
As previously reported			\$52,448,000
Retained earnings of The Tanatex Chemical Corporation and Taylor Instrument Companies on a "pooling of interests" basis ..			<u>16,442,000</u>
Adjusted balance, beginning of year		\$77,727,000	68,890,000
 Net income for the year		<u>14,758,000</u>	<u>15,476,000</u>
		<u>92,485,000</u>	<u>84,366,000</u>
 Dividends paid by:			
Sybron Corporation:			
Preferred stock		708,000	
Common stock		5,347,000	4,512,000
Companies acquired prior to acquisition:			
Cash dividends		685,000	775,000
Stock dividends			<u>1,352,000</u>
Total		<u>6,740,000</u>	<u>6,639,000</u>
 Balance at end of year		<u><u>\$85,745,000</u></u>	<u><u>\$77,727,000</u></u>

(The Financial Review on pages 18 to 21 is an integral part of the financial statements)

Statement of Changes in Additional Paid-in Capital

Sybron Corporation and Subsidiaries

	Year Ended December 31,	1968	1967
Balance at beginning of year:			
As previously reported			\$ 2,587,000
Adjustments relative to The Tanatex Chemical Corporation and Taylor Instrument Companies on a "pooling of interests" basis . .			448,000
Adjusted balance, beginning of year		\$ 6,709,000	3,035,000
Excess of proceeds over par value of common and equivalent preferred shares issued under stock options		511,000	509,000
Excess of principal amount of debentures over the par value of shares issued in conversion		2,939,000	1,934,000
Excess of market value of stock dividends paid by Taylor prior to merger into the Company over the par value of equivalent preferred shares issued less portion applicable to purchased shares			1,263,000
Expenses in connection with 2-for-1 stock split			(32,000)
Balance at end of year		<u><u>\$10,159,000</u></u>	<u><u>\$ 6,709,000</u></u>

(The Financial Review on pages 18 to 21 is an integral part of the financial statements)

Statement of Source and Disposition of Funds

Sybron Corporation and Subsidiaries

	Year Ended December 31,	1968	1967
Source of funds:			
Net income		\$ 14,758,000	\$ 15,476,000
Net income applicable to Taylor stock purchased by the Company and accounted for as a purchase		819,000	962,000
Depreciation charged to income		4,746,000	4,466,000
Total from operations		20,323,000	20,904,000
Proceeds from exercise of stock options		690,000	696,000
Increase in non-current liabilities		685,000	401,000
Increase in long-term debt excluding debentures converted into stock		2,423,000	14,872,000
		<u>24,121,000</u>	<u>36,873,000</u>
Disposition of funds:			
Purchase of Taylor common stock		33,096,000	
Capital expenditures (net of retirements and including in 1967 capital assets of companies acquired for cash)		10,600,000	9,782,000
Cash dividends paid		6,740,000	5,287,000
Cash dividends paid by Taylor applicable to Taylor stock prior to purchase by the Company		266,000	282,000
Increase in investments and other non-current assets and other items		170,000	2,540,000
		<u>50,872,000</u>	<u>17,891,000</u>
Increase (decrease) in working capital		(26,751,000)	18,982,000
Working capital, beginning of year		100,818,000	81,836,000
Working capital, end of year		<u>\$ 74,067,000</u>	<u>\$100,818,000</u>
Current ratio		2.0 to 1	3.3 to 1

(The Financial Review on pages 18 to 21 is an integral part of the financial statements)

Opinion of Independent Accountants

To the Shareholders and the Board of Directors of Sybron Corporation:

In our opinion, the statements appearing on pages 22 through 26 of this report present fairly the financial position of Sybron Corporation and its subsidiaries at December 31, 1968, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

February 13, 1969
1200 Midtown Tower
Rochester, New York 14604

Price Waterhouse & Co.

Ten-Year Review

Sybron Corporation and Subsidiaries

(In \$000's—
see Note 1)

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Net Sales	\$264,570	\$263,124	\$240,880	\$213,101	\$186,913	\$170,472	\$151,916	\$142,392	\$143,117	\$121,784
Net Income	14,758	15,476	14,400	11,580	9,910	7,713	5,857	4,726	6,552	5,664
Depreciation Charges	4,746	4,466	4,182	3,847	3,674	3,370	3,008	2,856	2,428	2,168
Capital Expenditures	11,975	9,129	6,653	6,410	6,516	4,906	5,159	4,247	6,376	2,429
Cash Dividends Paid:										
Preferred Stock	708									
Common Stock including payments by acquired companies prior to acquisition	6,032	5,287	4,476	3,835	3,070	2,827	2,697	2,718	2,508	2,435
Working Capital	74,067	100,818	81,836	73,919	69,493	59,816	55,223	51,268	51,574	45,029
Total Shareholders' Equity	123,584	111,632	98,542	86,193	77,757	70,239	63,284	60,083	57,951	53,630
Per Share of Common Stock:										
Net Income (Note 2)	1.35	1.44	1.35	1.10	.95	.77	.62	.50	.71	.63
Book Value	10.63	9.57	8.33	7.04	6.15	5.63	5.10	4.78	4.55	4.18
Average Number of Common Shares Outstanding (Note 2)	10,961,478	10,782,270	10,634,508	10,531,440	10,469,533	9,988,339	9,478,020	9,416,722	9,293,433	9,027,791

Note 1: All per share amounts and average number of shares outstanding have been restated to reflect all prior stock splits and stock dividends. Information for the years 1964-1967 has been restated on a comparable basis to 1968. Prior years information is as reported in 1967, adjusted to include Taylor Instrument Companies on a partial “pooling of interests” basis.

Note 2: Based on preferred shares being considered as a residual security.

Directors

A. Ritter Shumway
Honorary Chairman of the Board

F. Ritter Shumway
Chairman of the Board

Raymond E. Olson
Vice Chairman of the Board

Mercer Brugler
Retired Vice Chairman of the Board
Ritter Pfaudler Corporation

*John H. Castle, Jr.
Executive Vice President

Wilmot R. Craig
Chairman of the Board
Lincoln Rochester Trust Company

M. Herbert Eisenhart
Retired Vice Chairman of the Board
Bausch & Lomb, Inc.

J. Wallace Ely
President
Security Trust Company of Rochester

Sherman Farnham
Partner, Nixon, Hargrave, Devans & Doyle

B. Emmett Finucane
Chairman of the Board
Security Trust Company of Rochester

Donald A. Gaudion
President

Fred H. Gowen
Chairman of the Board
MacKay-Shields Economics Inc.

Alexander D. Hargrave
President, Lincoln Rochester Trust Company

Horace J. McAfee
Partner, Simpson Thacher & Bartlett

**Ranlet Miner
Retired Vice Chairman of the Board
Pfaudler Permutit Inc.

Newman O. Pearsall
Partner, Pearsall & Co.

Marc E. Porter
Group Vice President—Instrument

Howard K. Richardson
Management Consultant

Robert C. Tait
President, Tait and Legge, Inc.

Hulbert W. Tripp
Chairman of the Investment Committee
University of Rochester

*Deceased October 4, 1968

**Deceased August 8, 1968

General Management Organization

F. Ritter Shumway
Chairman of the Board and
Chief Executive Officer

Raymond E. Olson
Vice Chairman of the Board

Donald A. Gaudion
President

Curtis W. Howard
Vice President—
Industrial Relations

James M. Kieffer
Vice President,
Secretary and Counsel

Clifford L. Sherran
Vice President—
Corporate Development

William G. vonBerg
Vice President—Finance

P. Stanley Collier, Jr.
Group Vice President—
Process Equipment

John C. Gabel
Group Vice President—
Scientific Products

Robert M. Kerr, Jr.
Group Vice President—
Professional Products

Marc E. Porter
Group Vice President—
Instrument

Robert VanInderstine
Group Vice President—
Chemicals

Elwood W. Geisinger
Vice President—
International

Lawrence DeVitis
Vice President—
European Area

Graydon C. Essman
Vice President—Asian Area

Ramon Patuel
Vice President—
Latin American Area

Robert L. Hoyt
Treasurer

Robert H. Stegemann
Controller

John G. Brummer
Assistant Secretary

George V. Coe, Jr.
Assistant Secretary

Theodore B. Roessel
Assistant Secretary

Domestic Operations

Chemicals Group

Gamlen Chemical Company
Robert VanInderstine, President

Gamlen Chemical Company
(Canada) Ltd.
Donald T. Cochrane, Manager

Ionac Chemical Company
James Kester, President

Jersey State Chemical Co.
Sanford Schwartzman, President

The Tanatex Chemical Corporation
Peter J. Scott, President

Instrument Group

Taylor Instrument Process
Control Division
William M. Walters, President

Taylor Instrument Consumer
Products Division
P. Austin Bleyler, President

Taylor Instrument of Ohio
Russell C. Brostedt, President

Taylor Instrument Companies
of Canada Limited
E. Jack Sheare, President

Process Equipment Group

AeroChem Research Laboratories, Inc.
Dr. Hartwell F. Calcote
President

Nalge Company
Emanuel Goldberg, President

The Permutit Company
Harley R. Derleth, President

The Pfaudler Co.
Jack M. Hultz, President

Thermolyne Corporation
Paul D. Dale, President

Professional Products Group

Kerr Manufacturing Company
Russell E. Nelson, President

Patterson Dental Co.
Reaves E. Peters, President

Ritter Company
Joseph Stemler, President

Scientific Products Group

Barnstead Company
Walter Kenyon, President

Castle Automated Systems Division
Richard D. Castle, President

Castle Company
William D. McGrath, President

Hard Company
Robert C. Jendron, President

Liebel-Flarsheim Company
John L. Kruetzkamp, President

Overseas Operations

Europe

Henry Balfour and Company Limited
William Wood, Managing Director

Drayton Castle Limited
Kenneth M. Henfrey, Chairman
Eisen- und Stahlwarenfabrik A.G.
Erich Linck, Manager

Gamlen Chemical Co. (U.K.) Ltd.
W. Seymour Roques
Managing Director

Kerr Europe S.p.A.
Mario Monaco, General Manager

Sybron (Europe) A.G.
Werner Schreiner, Manager

Pfaudler-Werke A.G.
Alfred Schwab, President

Ritter A.G.
Leopold Schneider
Managing Director

Taylor Instrument Companies
(Europe) Limited
Ronald Marshall
Managing Director

Latin America

Sybron Interamericana Indústria e
Comércio Ltda.

Milton Mangini, General Manager
Pfaudler Permutit, S.A. de C.V.
Alberto Hernandez, General Manager

Ritter Pfaudler Interamericana S.A.
Carlos Ljungmann, General Director

Ritter de Mexico, S.A.
Dr. Arsen L. Yakoubian
General Manager

Taylor Instrument (Mexico) S.A.
Salvador Martinez, President

Asia

Degna (Australia) Pty. Ltd.
John C. Read, Managing Director

Gamlen Chemical Co.
(Australasia) Pty. Ltd.
Kenneth C. Thompson
Managing Director

Gamlen (Japan) Ltd.
Lewis M. Ludlow, Managing Director

Ritter Pfaudler Asia Limited
Alfred O. Ginkel, General Manager

Shinko-Pfaudler Company, Ltd.
Yoshio Hanai, President

Sybron (Australia) Pty. Ltd.
D. B. Lamacraft, Manager

Taylor Instrument Companies
of Australia Pty. Ltd.
William E. Kirkby
Managing Director

Corporate Offices:

1100 Midtown Tower
Rochester, New York 14604

Annual Meeting:

Our Annual Meeting of Shareholders will be held in Rochester, New York, on Thursday, April 24, 1969. Official notice and other information with respect to this meeting will be mailed to you shortly.

Transfer Agents:

Common Stock:
Lincoln Rochester Trust
Company, Rochester, New York
Chemical Bank New York
Trust Company, New York,
New York

Preferred Stock:
Lincoln Rochester Trust
Company, Rochester, New York
First National City Bank,
New York, New York

Registrars:

Security Trust Company, Rochester, New York
Morgan Guaranty Trust Company,
New York, New York

Trustee, Paying and Conversion Agent for Convertible Debentures Due 1980:

Chemical Bank New York Trust Company,
New York, New York

Trustee, Paying and Conversion Agent for Convertible Debentures Due 1987:

First National City Bank, New York, New York

Divisions & Subsidiaries

United States

AeroChem Research Laboratories, Inc.
contract research for government and industry

Barnstead Company
water purification and storage equipment for hospitals, laboratories, industry

Castle Automated Systems Division
automatic materials-handling systems for hospitals

Castle Company
hospital equipment, including sterilizers, surgical lights, operating tables, washing equipment

Gamlen Chemical Company
specialty chemicals for marine and industrial use

Hard Company
patient-room furniture for hospitals and nursing homes

Ionac Chemical Company
specialty chemicals for water treatment and industrial applications

Jersey State Chemical Co.
specialty chemicals for industrial applications

Kerr Manufacturing Company
consumable dental products such as impression materials, waxes, filling materials, drills

Liebel-Flarsheim Company
X-ray specialties and surgical equipment

Nalge Company
plastic laboratory ware, piping and custom-molded equipment

Patterson Dental Co.
distributor of dental supplies and equipment

The Permutit Company
water and waste treatment equipment for municipal and industrial use

The Pfaudler Co.
glassed-steel and alloy process equipment

Ritter Company
dental and medical equipment, including chairs, operatory units, lights, x-ray equipment, tables

The Tanatex Chemical Corporation
specialty chemicals for the textile industry

Taylor Instrument Consumer Products Division
medical and consumer instruments, including barometers, thermometers, stethoscopes

Taylor Instrument of Ohio
valves and timers

Taylor Instrument Process Control Division
electronic and pneumatic process instruments for industry

Thermolyne Corporation
laboratory furnaces, controllers, hot plates, stir plates

Argentina

Ritter Pfaudler Interamericana S.A.
markets process equipment and water and waste treatment products

Australia

Degna (Australia) Pty. Ltd.
designs and supervises local fabrication of alloy process equipment; also markets Pfaudler and Balfour products

Gamlen Chemical Co. (Australasia) Pty. Ltd.
specialty chemicals for marine and industrial use
Sybron (Australia) Pty. Limited
markets dental, medical and hospital equipment

Taylor Instrument Companies of Australia Pty. Limited
industrial process control instruments

Belgium

Taylor Instrument (Belgium) S.A.
industrial process control instruments

Brazil

Sybron Interamericana Indústria e Comércio Ltda.
markets process equipment and water and waste treatment products, and has a small manufacturing operation

Canada

Gamlen Chemical Company (Canada) Ltd.
specialty chemicals for marine and industrial use
Ritter Pfaudler Canada Limited
markets process equipment
Taylor Instrument Companies of Canada Limited
industrial process control instruments and consumer instrument products

France

Société Ritter S.A.
sells and services in France dental products manufactured by Ritter plants in the United States and Europe; also hospital equipment for Common Market countries

Taylor Instrument (France) S.A.R.L.
industrial process control instruments

Germany

Pfaudler-Werke A.G.
process equipment and machinery; water and waste treatment equipment

Ritter A.G.
dental and medical equipment

Taylor Instrument G.m.b.H.
industrial process control instruments

Great Britain

Henry Balfour and Company Limited
equipment and packaged systems for process industries

Drayton Castle Limited
hospital sterilizers and lights

Gamlen Chemical Company (U.K.) Limited
specialty chemicals for marine and industrial use

Taylor Instrument Companies (Europe) Limited
industrial process control instruments and consumer instrument products

Hong Kong

Ritter Pfaudler Asia Limited
markets process equipment, water and waste treatment equipment, health products and specialty chemicals for Southeast Asia, South Asia and the Middle East

Italy

Gamlen Chemical Company (Italy) S.p.A.
specialty chemicals for marine and industrial use

Kerr Europe S.p.A.
consumable dental products for the European market

Japan

Gamlen (Japan) Ltd.
specialty chemicals for marine and industrial use

Mexico

Pfaudler Permutit, S.A. de C.V.
process equipment and water and waste treatment equipment; also markets laboratory products and specialty chemicals

Ritter de Mexico, S.A.
dental equipment for the Mexican market

Taylor Instrument (Mexico) S.A. de C.V.
industrial process control instruments

South Africa

Gamlen (South Africa) (Proprietary) Ltd.
specialty chemicals for marine and industrial use

Switzerland

Eisen- und Stahlwarenfabrik A.G.
automatic materials-handling systems

Sybron (Europe) A.G.
markets process and water and waste treatment equipment and chemicals for European and African markets

The Company also serves overseas chemical markets through its 50% ownership of Tanatex Chemical (Holland) N.V. which, in turn, has an ownership of 50% or 100% of nine foreign corporations. The Company also has a 50% interest in corporations in the chemical market in Colombia, Brazil, Argentina and France. Taylor Instrument Company (India) Limited, serving the industrial process control instrument market in India, is also 50% owned. The Company has a 37% interest in Shinko-Pfaudler Company Ltd., of Kobe, Japan, which sells glassed-steel and alloy equipment to the process industries market in Japan and the other Asian countries.

